

OGC REVIEW COMPLETED

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OGC/JSW:rnks
14 November 57

MEMORANDUM FOR: (Title) 25X1A9A

SUBJECT: FEGLI Insurance Coverage for Certain
AQUATONE Personnel

1. For sometime I have intended to make a matter of record the appropriate method of computing annual compensation upon which the amount of an employee's Federal Employees' Government Life Insurance is based. When the basic salary is a round figure in the thousands, the insurance payable is equal to his base salary. When the salary is in excess of a round figure in thousands the insurance payable is the next higher rounded-off figure in the thousands.

2. Included in annual compensation are all amounts which are true compensation and are not allowances based on overseas service, overtime and other purposes. In the specific cases concerned the arrangements are such that the Agency pays the full amount of the FEGLI premiums as well as UBLIC and WAEPA premiums. These premiums are to be considered a part of basic compensation. Consequently, whereas in most cases the compensation amounts to \$18,000 excluding premiums, the additional amounts which are actually paid for premiums cause the annual compensation to be somewhat in excess of \$18,000 which results in

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insurance payable under FEGLI in the amount of \$19,000. It is my understanding that in one or more cases the amounts actually paid under FEGLI have been in the amount of \$18,000. This memorandum is not intended to suggest that adjustment is required at this time but merely to raise the question for the record.

3. Also necessary to be considered is the fact that under the existing contract between CIA and GEHA, the Agency is presently paying on behalf of the employees concerned \$1,000 per year for premiums on insurance. Under our existing concepts this \$1,000 per year probably should be construed as compensation to the individuals and should be reflected in W-2 statements. Admittedly this procedure has not been followed and if it were followed would probably require the individuals to pay substantial additional income tax in the amount of \$200 to \$400 per year. For other reasons it may be inappropriate to pursue this point. Again this memorandum is intended to raise the question for the record.

4. The points raised above are based on pure legal considerations and it may well be that any further action or lack of action may be based on overriding policy considerations. However, we felt it appropriate that the points should be made for your information and guidance. If we can be of any ~~further~~ assistance in your consideration of the points raised, please call on us.

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